

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2001

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2001 and 2000

	<u>9/30/2001</u>	<u>9/30/2000</u>
		<u>Exhibit A</u>
Assets		
Cash and cash equivalents	\$ 11,340,300	\$ 16,486,566
Accrued interest		
Investments	1,061,854	1,280,540
Treasurer	135,302	201,919
Total accrued interest	<u>1,197,156</u>	<u>1,482,459</u>
Receivables		
Escheated estates	282,863	309,263
Fines and penalties	331,938	463,840
Purchased interest	-	-
Land Sales	-	148,510
Total receivables	<u>614,801</u>	<u>921,613</u>
Investments		
Land contracts	120	120
U.S. Government securities	77,590,122	63,210,117
Total investments	<u>77,590,242</u>	<u>63,210,237</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
Total Assets	<u><u>\$ 90,745,476</u></u>	<u><u>\$ 82,103,852</u></u>
Liabilities		
Due the Distributive School Account	\$ 3,832,954	\$ 2,116,554
Fund balances	<u>86,912,522</u>	<u>79,987,298</u>
Total Liabilities and Fund Balances	<u><u>\$ 90,745,476</u></u>	<u><u>\$ 82,103,852</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA

PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Quarters Ended September 30, 2001 and 2000

	<u>Quarter Ended 9/30/2001</u>	<u>Exhibit B Quarter Ended 9/30/2000</u>
Operating Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 723,418	\$ 798,121
District Courts	191,858	207,999
Other Fines and Penalties	<u>5,000</u>	<u>2,000</u>
Total fines	920,276	1,008,120
Investment income	3,832,954	2,116,554
Land sales	119,487	158,110
Miscellaneous	<u>8,753</u>	<u>8,752</u>
Total operating revenues/income	<u>4,881,470</u>	<u>3,291,536</u>
Operating Transfers		
Transfer from (to) Escheated Estates Fund	(62,986)	15,156
Transfer to Distributive School Account	<u>(3,832,954)</u>	<u>(2,116,554)</u>
Net operating transfers	<u>(3,895,940)</u>	<u>(2,101,398)</u>
Net income	985,530	1,190,138
Fund balances, beginning of period	<u>85,926,992</u>	<u>78,797,160</u>
Fund balances, September 30	<u><u>\$ 86,912,522</u></u>	<u><u>\$ 79,987,298</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
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STATEMENTS OF CASH FLOWS
For the Quarters Ended September 30, 2001 and 2000

	<u>Quarter Ended 9/30/2001</u>	<u>Quarter Ended 9/30/2000</u>
		Exhibit C
Cash flows from operating activities:		
Justice Court fines	\$ 732,196	\$ 768,278
District Court fines	208,249	175,110
Other fines and penalties	5,000	2,000
Public land sales	119,487	256,486
Miscellaneous income	8,752	8,752
Net cash provided by operating activities	<u>1,073,684</u>	<u>1,210,626</u>
Cash flows from noncapital financing activities:		
Operating transfer in	66,868	58,760
Operating transfer out	<u>(3,121,078)</u>	<u>(2,979,547)</u>
Net cash provided by (used for) noncapital financing activities	<u>(3,054,210)</u>	<u>(2,920,787)</u>
Cash flows from investing activities:		
Treasurer's interest distribution	267,596	212,227
Investment interest	1,098,031	453,524
Purchased interest	<u>107,625</u>	<u>75,022</u>
Net cash provided by investing activities	<u>1,473,252</u>	<u>740,773</u>
Net increase (decrease) in cash and cash equivalents	(507,274)	(969,388)
Cash and cash equivalents at beginning of period	<u>11,847,574</u>	<u>17,455,954</u>
Cash and cash equivalents at end of period	<u>\$ 11,340,300</u>	<u>\$ 16,486,566</u>
Reconciliation of net operating income to cash provided by operating activities		
Total operating income	\$ 4,881,470	\$ 3,291,536
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	25,168	35,644
Investment income reported as operating income	<u>(3,832,954)</u>	<u>(2,116,554)</u>
Net cash provided by operating activities	<u>\$ 1,073,684</u>	<u>\$ 1,210,626</u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND
GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund which apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. Bond guarantees at Sept. 30, 2001 were:

School District	Issue Date	Original Amount	Balance
White Pine County	March 1, 1998	7,510,000	7,510,000
Douglas County	April 1, 1998	8,710,000	8,440,000
Nye County	April 1, 1999	17,545,000	15,540,000
Churchill County	August 1, 2000	3,655,000	3,655,000
Carson City	February 1, 2001	9,000,000	9,000,000
Lyon County	February 1, 2001	12,000,000	12,000,000
Mineral County	June 1, 2001	4,425,000	4,425,000

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
 - Surplus on sale of property after charges of bailees for hire (NRS 108.460)
 - Escheated estates (NRS 154.115)
- (REVENUE SOURCES, Continued)

- Fees of the State Land Registrar (NRS 321.065)

- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended September 30, 2001, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$11,600,187.16. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended September 30, 2001, funds held by the State Treasurer earned interest at an effective rate of 4.30 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

STATE OF NEVADA
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SCHEDULE OF INVESTMENTS
September 30, 2001

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities					
U.S. Treasury Note	7.500	11/15/01	\$ 5,000,000	\$ 5,001,750	\$ 5,029,700
Fed. Farm Credit Bank	6.000	6/11/08	10,000,000	10,042,460	10,606,200
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	10,414,100
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	13,074,250
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,317,790
Fed Home Loan Mgt. Corp.	6.875	11/22/06	6,500,000	6,500,000	6,538,610
Fed Home Loan Mgt. Corp.	6.050	2/7/06	10,000,000	10,000,000	10,367,200
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	11,245,472
Fed National Mortgage Assoc.	3.770	11/15/01	1,000,000	982,302	996,800
Total Fixed Income Securities			<u>\$ 74,675,000</u>	73,475,864	77,590,122
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$ 73,475,984</u>	<u>\$ 77,590,242</u>

STATE OF NEVADA

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarters Ended September 30, 2001 and 2000

County	<u>Schedule 2</u>	
	Quarter Ended 9/30/2001	Quarter Ended 9/30/2000
Carson City	\$ 11,234	\$ 7,317
Churchill	13,784	11,195
Clark	301,184	429,738
Douglas	4,957	8,298
Elko	27,496	20,031
Esmeralda	4,342	2,215
Eureka	7,299	13,393
Humboldt	-	-
Lander	780	2,050
Lincoln	4,647	4,339
Lyon	21,994	27,751
Mineral	-	90
Nye	38,501	68,018
Pershing	990	1,604
Storey	-	-
Washoe	284,460	201,592
White Pine	<u>1,750</u>	<u>490</u>
Total	<u>\$ 723,418</u>	<u>\$ 798,121</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarters Ended September 30, 2001 and 2000

County	<u>Schedule 3</u>	
	Quarter Ended 09/30/01	Quarter Ended 09/30/00
Carson City	\$ 3,547	\$ 6,322
Churchill	3,318	4,843
Clark	82,288	101,246
Douglas	4,633	13,481
Elko	19,529	24,136
Esmeralda	365	100
Eureka	-	-
Humboldt	1,479	5,848
Lander	1,110	920
Lincoln	421	2,612
Lyon	3,957	2,775
Mineral	1,585	1,025
Nye	3,558	7,908
Pershing	433	1,109
Storey	-	-
Washoe	60,066	33,243
White Pine	5,569	2,431
Total	<u>\$ 191,858</u>	<u>\$ 207,999</u>

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended September 30, 2001

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
U.S. Treasury Note	7.500	\$ 5,000,000	\$ 93,750
Fed Farm Credit Bank	6.000	10,000,000	150,000
Fed. Home Loan Bank Note	6.905	10,000,000	172,625
Fed. Home Loan Bank Note	5.850	12,500,000	182,813
Fed. Home Loan Bank Note	5.125	9,000,000	115,312
Fed Home Loan Mgt. Corp.	6.875	6,500,000	111,719
Fed Home Loan Mgt. Corp.	6.050	10,000,000	151,250
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.770	1,000,000	3,142
Total interest on investments			<u>1,134,064</u>

First quarter Treasurer's distribution 135,302

Total interest 1,269,366

Change in fair value of investments:

First quarter change in fair value of investments 2,563,588

Total investment income earned for the quarter ended September 30, 2001 \$ 3,832,954